Agenda - Council - January 28, 2015

Report – Alternate Service Delivery Committee - January 19, 2015

Item No. 2 Winnipeg Golf Services SOA – 2015 Business Plan

STANDING COMMITTEE RECOMMENDATION:

On January 21, 2015, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the following to Council:

1. That the 2015 Business Plan for Winnipeg Golf Services Special Operating Agency including the 2015 budget be approved and the 2016 and 2017 financial projections, as outlined in Appendix A, be received as information.

2. That the operating line of credit be reduced in 2015 to $6.75 million to reflect the transfer of $750,000 from the General Revenue Fund.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Alternate Service Delivery Committee - January 19, 2015

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 21, 2015, the Executive Policy Committee concurred in the recommendation of the Alternate Service Delivery Committee and submitted the matter to Council.

COMMITTEE RECOMMENDATION:

On January 19, 2015, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and forwarded the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Winnipeg Golf Services (WGS) Special Operating Agency – 2015 Business Plan**

Critical Path: **Alternate Service Delivery (ASD) Committee**
Executive Policy Committee (EPC)
Council

AUTHORIZATION

Author	Department Head	CFO	CAO
A. Shane	M. Pittet	M. Ruta	D. Joshi A/CAO

RECOMMENDATIONS

1. That the 2015 Business Plan for Winnipeg Golf Services Special Operating Agency ("Golf Services") including the 2015 budget be approved and the 2016 and 2017 financial projections, as outlined in Appendix A, be received as information.

2. That the operating line of credit be reduced in 2015 to $6.75 million to reflect the transfer of $750,000 from the General Revenue Fund.

3. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

EXECUTIVE SUMMARY

This report provides details of the annual plan and associated costs for the City of Winnipeg to maintain operations and management of the four City-owned and operated golf courses at Kildonan Park, Windsor Park, Crescent Drive and Harbour View.

Since its inception in 2002, Winnipeg Golf Services (WGS) has accumulated an operating deficit of over $7 million. Beginning in 2015, additional annual mill rate support of $750,000 will be required for up to 10 years to begin paying down the accumulated Line-of-Credit balance.

Unionized staff will continue to operate both the clubhouse and maintenance operations at Kildonan Park, Windsor Park, and Crescent Drive golf courses. At Harbour View, the Pro Shop and related amenities (mini-putt, driving range, etc.) will continue to be operated through a management contract with golf course maintenance being performed by unionized staff.

IMPLICATIONS OF THE RECOMMENDATIONS

- The Agency's maximum line of credit balance will decrease from $7.5 million to $6.75 million in 2015.

- Green fee rates at Kildonan Park and Windsor Park will increase by $1.00 per round while 9-hole rates at the Par 3 courses, Crescent Drive and Harbour View, will remain unchanged from 2014.

- Beginning in 2015, additional annual mill rate support of $750,000 will be received to begin paying down the accumulated Line-of-Credit balance over a period of ten years.

HISTORY

Winnipeg Golf Services' Operating Charter stipulates that a business plan be submitted to Council each year.

Winnipeg Golf Services was designated as a Special Operating Agency effective January 1, 2002.

Discussion

On May 29th, 2013, Council directed Winnipeg Golf Services to maintain operations and management of the four City-owned and operated golf courses at Kildonan Park, Windsor Park, Crescent Drive and Harbour View.

On September 10, 2014, Standing Policy Committee on Finance approved an over-expenditure authorization for Planning, Property and Development that included a $150,000 transfer from the General Revenue Fund to WGS to offset a portion 2014 operating losses and remain within the $7.5 million maximum line-of-credit amount.

FINANCIAL IMPACT

Financial Impact Statement

Date: January 14, 2015

Project Name:

Winnipeg Golf Services (WGS) Special Operating Agency - 2015 Business Plan (Selection Report)

COMMENTS:

The recommendations contained in this report include that the operating line of credit to support the Winnipeg Golf Services Special Operating Agency be reduced to $6.75 million to reflect the transfer of $750,000 from the General Revenue Fund.

The financial implications of the proposed 2015 business plan are as laid out in the attached Appendix A-1.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

Planning, Property and Development Department - Financial Services Division

SUBMITTED BY

Department: Winnipeg Golf Services
Division
Prepared by: Alan Shane, COO, WGS
Date: January 14, 2015
File No.

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APPENDIX A

WINNIPEG GOLF SERVCES
2015 BUSINESS PLAN

Overview

This report outlines a 2015 budget and operating plan for Winnipeg Golf Services (WGS) Special Operating Agency. The 2015 season will be the fourteenth year of operation for WGS. The Agency encompasses the operation and contract management of 12 golf course properties in Winnipeg generally categorized as follows:

City Operated and Maintained
Kildonan Park Golf Course
Windsor Park Golf Course
Crescent Drive Golf Course

Leased Properties
Rossmere Golf Course
St. Boniface Golf Course
Transcona Golf Course
Wildewood Club Golf Course
Assiniboine Golf Course
Canoe Club Golf Course
Tuxedo Golf Course

Managed Contracts
John Blumberg Golf Course
Harbour View Golf Course and Recreation Complex (contractor operated amenities; City maintained)

A list of contract termination dates for the leased properties and properties under Managed Contracts is contained in Appendix A-4.

Strategic Direction

WGS continues to compete in the competitive Winnipeg golf market. The market is well served with a wide range of types of courses ranging from private and semi-private championship quality courses to short, practice courses that are oriented to beginners and families. In all, there are approximately 50 courses within a 70 kilometer radius of Winnipeg.

Following direction from Council on May 29th, 2013, WGS will continue to operate/manage the Kildonan Park, Windsor Park, Crescent Drive and Harbour View golf courses in 2015.

SOA Financial Return

For 2014, the Agency is forecasting income of $981,410, compared to the $922,709 loss recorded in 2013. If not for the $150,000 transfer from the General Revenue Fund, a gain on the forgiveness of the loan from the Golf Course Reserve Fund of $844,143 and the elimination of amounts allocated to the City of $620,892, the projected net loss in 2014 would be $633,625.

For 2015, the operating revenues and expenditures reflect a return based on a typical prairie golf season of 195 days. The return included in the 2015 business plan is based on approximately 88,000 rounds.

Fees for the 2015 golf season

WGS is proposing to increase all green fee rates at Kildonan Park and Windsor Park by $1.00 per round while 9-hole rates at the Par 3 courses, Crescent Drive and Harbour View remain unchanged from 2014.

During the 2013 operating season, an additional charge of $2.00 per round was applied to all green fees sold. Revenues from the $2.00 charge are transferred to the Golf Course Reserve Fund to be used to fund course improvements.

Green fee information for the 2015 golf season as well as fee information dating back to 2002, is contained in Appendix A-2

WGS periodically surveys the fee structure of other public and semi-public courses within the Winnipeg market to determine market-pricing trends. WGS courses offer very competitive green fee rates in the Winnipeg market.

Rounds Played

Rounds played at WGS courses have declined by 24.96% over the past 5 years. In 2014, WGS courses attendance continued to decline by 9.1% the result of a late opening and a wet and cold May and June. In 2014, rounds played at Kildonan Park decreased by 1,122 rounds or 3.9%. At Windsor Park rounds decreased 2,442 or 10.85%. At Crescent Drive, rounds played decreased the least by 374 rounds or 2.68%. At Harbour View, rounds decreased the most by 3,215 or 24.17%. Appendix A-3 provides an account of the rounds played at Kildonan Park, Windsor Park, Crescent Drive and Harbour View golf courses.

Capital Improvements

In 2014, capital improvements at Kildonan Park included the addition of two new tee boxes and four new sand traps, the re-building of four older tee boxes, enhancement and expansion of the existing auto cart network and the installation of a Digital Reader Board sign on Main Street.

The Reader Board sign is part of an overall marketing strategy that will allow WGS to better communicate to its patrons, green fee specials, merchandise discount and food and beverage offerings. The Reader Board could also be a potential source of new revenue derived from selling advertising space in accordance with By-Law 36/2013.

At Windsor Park, capital improvements in 2014 included the addition of a new clubhouse roof, continued expansion of the auto cart network, and the installation of a new artificial turf tee on the 6th hole.

Scheduled capital projects for Kildonan Park and Windsor Park for 2015 include multiple drainage projects, the rebuilding of several tee boxes, further enhancement of the auto cart pathway networks, a new deck at Kildonan Park and a new patio area at Windsor Park.

At Crescent Drive capital improvements in 2014 included an enhancement to the Pro Shop and new furnishing for both the Pro Shop and lounge areas. In 2015, a new putting green will be built.

Service Goals and Strategies

The following summarizes goals and key strategies the Agency employs in its business operations:

GOAL	STRATEGIES	STATUS
Maximize green fee revenues	1. Increase green fees in accordance with market demand.	Assess annually – fees for 2015 will increase at the 18-hole courses only.
	2. Target market to consumers.	Promotions targeted to adult regulars (Twilight, Afternoon Special). Implemented a new Point of Sale (POS) system which has accumulated 6,000 email addresses to be used for promotional purposes. A new Digital Reader Board sign installed on Main St. in front of Kildonan Park Golf Course to be used as a promotional tool.
	3. Establish Municipal courses as user friendly.	Promotion depicts fun, inviting atmosphere for women, juniors and new golfers (e.g. 'kids play free' at 9-hole courses when accompanied by an adult).
	4. Continue value-added specials (Afternoon Special w/auto cart, etc.)	Valued-added promotions now represent a large part of our overall green fee and equipment revenue.
Improve golf course playability	1. Assess maintenance practices, methods and schedules to optimize playing conditions.	Continuously assess and implement improvements. New leased equipment improves playability and reduces maintenance costs. Rolling greens on a daily basis to increase the speed of the greens comparable to private courses.
	2. Staff schedule changed.	The maintenance staff schedule was changed to improve cutting practices for early morning and weekend players.
	3. Make immediate maintenance improvements to demonstrate	Began rebuilding old tee boxes, added several new tee boxes and

GOAL	STRATEGIES	STATUS
	intent.	new sand traps to change course playability and to enhance the playing experience.
	4. Reforestation	Developed and began implementing reforestation plan. In 2014, over 52 trees and 58 stumps removed and 35 new trees planted.
	5. Cart path expansion	Continue to expand cart path system so auto carts can be operated in periods of bad weather increasing revenues.
Provide high quality customer service	1. Develop customer service strategy.	Continue to train new staff in Customer Service techniques.
	2. Develop a social media marketing plan.	E-mail announcements of green fee special offers. Developing the use of Twitter and Facebook as a marketing tool.
	3. Standardize counter service techniques.	Clubhouse staff and starters provide consistent service as per training.
Sustainable environmental initiatives	1. Minimize use of harmful chemicals.	Staff certified in pesticide application and integrated Pest Management in accordance with Provincial regulations, chemical application minimized.
	2. Migratory Bird Control Program.	Follow approved Migratory Bird Management plan submitted annually.
Improve image of Municipal golf courses	1. Establish and implement etiquette and speed of play guidelines.	Golfers are continuously educated on golf etiquette; the introduction of course Marshalls helped improve speed of play.
	2. Enhance current Marshall program.	Extend hours of service and increase the number of Marshalls.
	3. Develop a Marshall training program.	Institute a Marshall training program which includes LGA training, customer service training and first aid/CPR.
Improve merchandise sales	1. Introduce new items for sale.	New clothing lines introduced, product lines continually assessed.
	2. Redesign / redecorate pro shops.	Pro shops modernized, displays changed regularly.

GOAL	STRATEGIES	STATUS
Improve food and beverage sales	1. Assessment of food and beverage operation. 2. Monitor food and beverage service.	Short-term contracts implemented for food services at Kildonan and Windsor. Daily monitoring done by golf course staff; monthly reviews held with food contractor during the season; food specials.
Increase auto cart revenues	1. Assess auto cart usage and financial return.	Auto cart fleet increased to 100 cars.
Administer golf course leases	1. Renegotiate leases as they expire.	All expired leases have been renegotiated and executed.
Administer agreements for contracted courses	1. Review green fees in consultation with contractors. 2. Review Harbour View operation to streamline reporting relationships.	Consultation done annually and fees adjusted as market allows. Ongoing – monthly meetings with departmental managers.
Manage Cross Country Ski operations and trail grooming	1. Administer agreement with Cross Country Ski Association of Manitoba.	Reviewing proposal for longer term arrangement with Association.
Promotions and Specials	1. Increase communication with patrons promoting specials and discount offering	Electronic Reader Board sign installed on Main St. in front of the Kildonan Park clubhouse. Email PAR, Loyalty System patrons email green fee promotions and other offerings.

Financial Performance

Financial statements are attached as Appendix A-1 and include a Projected Statement of Financial Position, a Projected Statement of Operations and Deficit, a Projected Statement of Cash Flows, a Projected Statement of Equity as well as Notes to the Financial Projections.

For 2014, the Agency is forecasting income of $981,410, which is an improvement of $1,904,119 over the $922,708 loss recorded in 2013.

The Agency is recommending the operating line of credit be reduced in 2015 to $6.75 million to reflect the transfer of $750,000 from the General Revenue Fund.

As mentioned previously, the revenue and expense projections were revised in 2012 to reflect the recent experience of declining rounds. On average, 90,000 total rounds is now used instead of 100,000 rounds based a typical prairie golf season of 195 days. In 2015, WGS is forecasting 88,000 rounds played due to the continual decline in golf that many courses are experiencing.

The projections for 2015 to 2017, in Appendix A-1, reflect those for 2014 and are premised on market conditions and all other factors remaining constant and an annual inflation rate of 2%.

Human Resources

In 2015, the Agency will operate with 4 permanent staff and 43 seasonal staff.

Information Technology

Recent technology upgrades to the PeopleSoft timekeeping system have been implemented in each clubhouse operation.

In 2014, a new POS system was installed at Kildonan Park, Windsor Park and Crescent Drive golf courses. The new POS system has improved financial reporting and attendance tracking and allowed for the introduction of pre-loaded gift cards, eliminating the need for the current 10-game pass card, which are costly to produce and monitor, and allowed for the creation and implementation of a new Customer Loyalty system, Points and Rewards (PAR) that encourages players to patronize our golf courses by awarding points for every green fee purchased. The POS system has allowed WGS to develop a 6,000 email address database that will be used to communicate with WGS patrons, advising them of green fee specials, discounts on merchandise, and general information on WGS programs.

WGS is currently studying the possibility of expanding the PAR system in 2015 to include reward/points for merchandise purchased and equipment rented in an effort to increase the frequency of play.

Physical Asset Management

The Agency manages a variety of material assets in overseeing the operation of 12 sites. These assets are categorized as follows:

- Land;
- Buildings and other physical structures;
- Turf maintenance equipment;
- Furnishings, tools and other miscellaneous small equipment.

Winnipeg Golf Services equipment servicing is done by a combination of internal (Fleet Management) and external (equipment service contractor) sources. Seventeen new pieces of maintenance equipment were purchased by Fleet Management and leased to Golf Services in 2014. The new equipment has increased productivity and significantly reduced repair costs.

To better protect our assets, surveillance systems were installed in all clubhouses and maintenance yards. Vandalism in 2014 was significantly reduced as a result of this installation.

Drainage projects need to be carried out at Kildonan Park and Windsor Park golf courses to improve drainage and enhance playability given that during wet conditions the courses flood and lose their competitiveness.

Performance Measurement

The following summarizes performance indicators and measures of success the Agency achieved in 2014.

Indicator	Measure of Success
Financial Financial return to the City and improvement of the golf course asset	• Forecasted financial return to the City was less than contained in the business plan.
Customer Service Continually improve the image that we portray to customers.	• Respond promptly to customer complaints and enquiries, take appropriate action and provide timely feedback. • Improved staff appearance through adherence to uniform guidelines. Assessed through observation and independent checks. • Consistent use of appropriate greetings over the counter and on the telephone measured through observation, independent assessment and customer feedback. • All staff take customer service training.
Associated Services Improved service and image through provision of golf related services.	• Did not meet merchandise sales targets. • Improved food and beverage quality and service in clubhouses and on courses.
Environment Reduce harmful effects of maintenance practices and contribute to the long-term viability of golf courses.	• Reduced the use of harmful chemicals through licensed application and proper management.

Issues and Challenges

The issues remain the same:

- Aging infrastructure;
- Increasing infrastructure deficit; and
- Deferred maintenance.
- Increasing market competition
- Continued drainage issues

APPENDIX A-1: 2015 FINANCIAL PROJECTIONS

Golf Services - Special Operating Agency
Projected Statement of Financial Position
December 31

	2013 Actual	2014	2015	2016	2017
	$	$	$	$	$
ASSETS (Note 7)					
Current					
Accounts Receivable	$ 255,039	$ 195,039	$ 195,039	$ 195,039	$ 195,039
Inventory (Note 2)	23,340	23,340	23,340	23,340	23,340
	278,379	218,379	218,379	218,379	218,379
Land, buildings and equipment: (Schedule 1)					
Land (Note 2)	20,376,565	20,376,565	20,376,565	20,376,565	20,376,565
Buildings (Note 2)	2,276,772	2,316,822	2,325,822	2,390,822	2,390,822
Golf Course Improvements (Note 2)	1,091,188	1,186,856	1,371,856	1,471,856	1,594,856
Furniture and Other Equipment (Note 2)	1,581,843	1,642,843	1,654,843	1,654,843	1,654,843
	25,326,368	25,523,086	25,729,086	25,894,086	26,017,086
Less: accumulated depreciation	2,666,636	2,856,931	3,051,220	3,245,435	3,440,382
	22,659,733	22,666,156	22,677,867	22,648,652	22,576,705
	$ 22,938,112	$ 22,884,535	$ 22,896,246	$ 22,867,031	$ 22,795,084
LIABILITIES (Note 7)					
Current					
Due to City of Winnipeg	$ 7,585,452	$ 7,499,522	$ 6,747,617	$ 5,972,477	$ 5,163,753
Accounts payable and accrued liabilities	55,480	55,480	55,480	55,480	55,480
Deferred Revenue	55,045	55,045	55,045	55,045	55,045
Vacation Liability	30,328	27,295	24,566	22,109	19,898
Current portion of long-term debt (Schedule 2)	89,781	89,781	89,781	89,781	89,781
	7,816,086	7,727,123	6,972,489	6,194,892	5,383,957
Long Term					
Retirement allowance	121,000	108,900	98,010	88,209	79,388
Long-term debt	3,717,144	2,783,220	2,693,438	2,603,657	2,513,876
	3,838,144	2,892,120	2,791,448	2,691,866	2,593,264
RETAINED EARNINGS					
Contributed Surplus	20,574,658	20,574,658	20,574,658	20,574,658	20,574,658
Operating Surplus/(Deficit)	(9,290,776)	(8,309,367)	(7,442,349)	(6,594,386)	(5,756,797)
	11,283,882	12,265,291	13,132,309	13,980,272	14,817,861
	$ 22,938,112	$ 22,884,535	$ 22,896,246	$ 22,867,031	$ 22,795,084

Golf Services - Special Operating Agency

Projected Statement of Operations & Deficit
For the Years Ended December 31

	2013 Actual	2014 Council Adopted	2014 Forecast	Variance	2015	2016	2017
Revenues: (Note 4)							
Green Fees	1,630,926.07	$ 1,871,371	$ 1,445,260	$ (426,111)	$ 1,900,895	$ 2,018,736	$ 2,078,176
Equipment Rentals	334,968.31	359,049	282,355	(76,694)	367,710	375,063	382,565
Concessions	49,533.54	57,676	42,532	(15,144)	51,535	52,565	53,617
Merchandise Sales	41,093.55	64,156	37,672	(26,484)	42,084	42,925	43,784
Transfer from General Revenue Fund			150,000	150,000	750,000	750,000	750,000
Transfer from Golf Course Reserve		246,000	196,718	(49,282)	206,000	165,000	123,000
Gain on forgiveness of Loan from Golf Course Reserve		872,141	844,143	(27,998)			
Other	48,398.34	36,376	62,469	26,093	36,788	37,524	38,275
Net Revenue-Leasing Operations	262,474.00	261,282	277,174	15,892	264,118	211,477	211,304
Total Revenues	2,367,393.81	3,768,051	3,338,323	(429,728)	3,619,130	3,653,290	3,680,721
Expenses: (Note 5)							
Salaries & Employee Benefits	1,217,730.02	1,399,665	1,260,090	(139,575)	1,441,188	1,472,151	1,497,526
Services	832,406.80	712,269	489,763	(222,506)	611,520	622,716	633,773
Materials,Parts,Supplies	220,997.83	204,236	174,003	(30,233)	225,312	229,816	234,411
Transfer to Golf Course Reserve	66,778.00	171,270	140,950	(30,320)	176,460	180,090	180,090
Interest on Short Term Debt	69,638.58	66,480	71,619	5,139	67,078	69,277	64,501
Interest on Long Term Debt - Capital Plan	-	-	-	-	-	-	-
Total Expenses	2,407,551.23	2,553,920	2,136,425	(417,495)	2,521,558	2,574,050	2,610,301
Net Revenue	(40,157.42)	1,214,131	1,201,898	(12,233)	1,097,572	1,079,240	1,070,420
Allocated to the City: (Note 6)							
Property Tax Equivalents	262,610.00	-	-	-	-	-	-
Departmental Support Costs	55,657.54	-	-	-	-	-	-
Provision for Payroll Taxes	23,046.01	28,238	22,948	(5,290)	28,803	29,379	29,966
Provision for Business Taxes	28,249.00	-	-	-	-	-	-
Interest on Long Term Debt - Acquired Assets	237,290.74	-	-	-	-	-	-
Transfer to General Revenue for 311	40,560.00	-	-	-	-	-	-
Transfer to BTS Internal Service Provider	1,717.00	-	-	-	-	-	-
Total allocated to the City	649,130.29	28,238	22,948	(5,290)	28,803	29,379	29,966
Other:							
Depreciation, Fixed Assets	226,318.05	192,917	190,296	(2,621)	194,289	194,213	194,947
Annual Audit Fee	7,103.00	7,245	7,245	-	7,462	7,686	7,917
Total Other and Allocated to the City	882,551.34	228,400	220,489	(7,911)	230,554	231,278	232,830
Net Income/(Loss)	(922,708.76)	$ 985,731	$ 981,410	$ (4,321)	$ 867,018	$ 847,962	$ 837,590

Golf Services - Special Operating Agency
Projected Statement of Cash Flow
For the Years Ended December 31

	2013 Actual	2014	2015	2016	2017
Net inflow (outflow) of cash related to the following activities:					
OPERATING					
Net earnings (loss) for the year	$ (922,709)	$ 981,410	$ 867,018	$ 847,962	$ 837,590
Non-cash items relating to operations:					
Amortization	226,318	190,296	194,289	194,213	194,947
Change in environmental liability	(100,000)	-	-	-	-
Increase in Retirement Allowance	12,000	(12,100)	(10,890)	(9,801)	(8,821)
Working capital from operations	(784,391)	1,159,605	1,050,417	1,032,374	1,023,716
Changes in non-cash operating working capital items:					
Accounts receivable	19,374	60,000.00	-	-	-
Inventory	7,302	(0)	-	-	-
Accounts payable and accrued liabilites	(239,869)	(0)	-	-	-
Deferred Revenue	12,866	0	-	-	-
Vacation Liab	(21,779)	(3,033)	(2,729)	(2,457)	(2,211)
	(1,006,497)	1,216,572	1,047,688	1,029,917	1,021,505
FINANCING					
Increase/(decrease) in Due to City of Winnipeg - General Revenue Fund	1,178,384	(85,930)	(751,905)	(775,140)	(808,724)
Increase/(decrease) in Long-term debt - Required for Capital Plan	(125,434)	(933,924)	(89,782)	(89,781)	(89,781)
	1,052,950	(1,019,854)	(841,687)	(864,921)	(898,505)
INVESTING					
Purchase of Buildings	-	(40,050)	(9,000)	(65,000)	-
Purchase of Golf Course Improvements	(43,683)	(95,668)	(185,000)	(100,000)	(123,000)
Purchase of Furniture and Other Equipment	(2,770)	(61,000)	(12,000)	-	-
	(46,453)	(196,718)	(206,000)	(165,000)	(123,000)
NET CASH INFLOW (OUTFLOW)	-	-	-	-	-
CASH POSITION, BEGINNING OF YEAR	-	-	-	-	-
CASH POSITION, END OF YEAR	-	$ -	$ -	$ -	$ -

Golf Services - Special Operating Agency
Projected Statement of Equity
December 31

	2013 $	2014 forecast $	2015 $	2016 $	2017 $
Contributed Surplus	$ 20,574,658	$ 20,574,658	$ 20,574,658	$ 20,574,658	$ 20,574,658
Net Income (Loss) for year (Cumulative)	(9,290,776)	(8,309,367)	(7,442,349)	(6,594,386)	(5,756,797)
	$ 11,283,882	$ 12,265,291	$ 13,132,309	$ 13,980,272	$ 14,817,861

Golf Services - Special Operating Agency
Notes to the Financial Projection
For the year ending December 31, 2015

1 DESCRIPTION OF BUSINESS

The SOA manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

2 ACCOUNTING POLICIES

The projected financial statements are prepared on the basis of generally accepted accounting principles.

The projections include the following significant accounting policies:

Inventory

Merchandise inventory is stated at the lower of cost and net realizable value.

Land

Land is recorded at values as determined by the City of Winnipeg Property Assessment Department as of January 1, 2002.

Buildings

Buildings are recorded at January 1, 2002 assessed values and projected additions are valued at estimated construction or acquisition cost. Buildings are depreciated on a straight-line basis at 4% annually.

Golf Course Improvements

Improvements are recorded at estimated total cost of construction. Improvements are depreciated on a straight line basis at the rate of 5%.

Furniture and other Equipment

These assets are being depreciated on a straight line basis at the rate of 10%.

3 HYPOTHESES

The financial projections have been based on the following hypothesis:

Green Fees

Green fees represent approximately 81% of total normal revenues. Projections assume that time available for play on all courses will remain constant in each of the five years. Weather variables, over which management has no control, represent the largest risk to attaining projected revenues.

4 ASSUMPTIONS - REVENUE

a) Green Fees

WGS is proposing to increase all green fee rates at Kildonan Park and Windsor Park by $1.00 per round while 9-hole rates at the Par 3 courses, Crescent Drive and Harbour View remain unchanged from 2014.

On July 20, 2013, WGS implemented an additional charge of $2.00 to every green fee sold, which is transferred to the Golf Course Reserve Fund to fund course improvements.

The number of rounds is, on an average, 90,000 in a typical prairie golf season of 195 days. WGS is forecasting 88,000 rounds played in 2015.

b) Equipment Rentals

The City-owned auto cart fleet consists of 57 units. Other rental equipment includes individual clubs, club sets and pull carts. Rates are assessed annually and adjusted to be competitive within the local market.

c) Merchandise Gross Profits

Golf Services has become more selective in the merchandise offered for sale to the public. Pro shops at the 18-hole facilities carry only the most popular equipment with a focus on current trends. Gross sales are projected to increase slightly in 2015. WGS will continue to focus on the beginner and recreational golf market with high-end sales being accommodated through selective purchasing and special orders. The continued expansion of major golf merchandise retailers in the Winnipeg market continues to challenge the SOA to achieve sales targets.

d) Concessions

Lower than projected rounds in recent years have affected concession revenues. The concession operation will continue to be scrutinized in an effort to increase sales.

e) Other

Other revenues include the City's share of green fee and sport activity sales at Harbour View complex and miscellaneous income from promotions and special events.

g) Leasing Operations

Revenues from leased and privately contracted courses (net of property taxes and leasing support costs) are returned to the golf operation.

5 ASSUMPTIONS - EXPENSES

a) Salaries and employee benefits

The SOA operates with the following staff compliment assuming that the mix of leased / contracted courses versus City operated courses does not change:

1 Chief Operating Officer (full time) WAPSO Exempt

1 Operations Coordinator (full time) WAPSO - currently vacant

1 Operations Assistant (full time) CUPE

1 Foreman II/III (full time) CUPE

43 seasonal CUPE Utility, Maintenance and Clerk positions (may vary due to operational requirements)

Salaries are based on existing grades with provision for increments. Projections include a 2.5% inflation factor. Employee benefits are estimated at 17%.

b) Allocated Departmental Costs

The SOA receives building maintenance services from the Planning, Property and Development Department. Funds are budgeted for routine and preventative maintenance, equipment repairs and replacements and special projects that are required to maintain current code, health and occupancy regulations and standards. The Agency will continually assess the cost of Planning, Property and Development providing building maintenance service against that of alternative methods of service delivery and will make adjustments based on cost effectiveness and service quality over the term of the business plan.

c) Auto Allowance

Auto allowance is paid as per provisions in the collective agreement.

d) Utilities

Heat, power and water charges are paid by Golf Services for all clubhouse and maintenance buildings.

e) Telephone

Telephone, cellular phone and alarm system charges are expected to remain constant. An inflationary increase has been projected.

f) Advertising

Advertising costs are budgeted to promote the Agency's activities and programs.

g) Rentals

Rental of auto carts, mobile concession carts, portable toilets and various pieces of maintenance equipment is required in situations where it is not practical or cost effective to purchase the equipment.

h) Training

Employees are trained in pesticide application, turf maintenance, customer service, supervisory skills and other programs that contribute to a more effective operation.

i) Other Parts and Accessories

Parts for aging equipment and irrigation systems.

6) ASSUMPTIONS - AMOUNTS ALLOCATED TO CITY

a) Provisions for Payroll and Business Taxes

These costs have been estimated based on the prevailing rates of taxation.

7) ASSUMPTIONS - ASSETS AND LIABILITIES

a) Accounts Receivable

Trade receivables are projected based on anticipated timing of receipts.

b) Accounts payable and accrued liabilities

Normal trade accounts payable and accruals are projected based on timing of disbursements.

c) Due To/Due From the City of Winnipeg

The City extends an operating line of credit through the General Revenue Fund “Due To/Due From” account at prevailing rates of interest, and pays interest to the Agency at prevailing rates at such times in which the City owes money on current account to the Agency. The limit of this line of credit will be reduced to $6.75M.

d) Retirement allowance and vacation liability

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation report of the obligation was prepared effective December 31, 2012. The results of this valuation were extrapolated to December 31, 2014 with a reduction of 10%/annum from 2015 to 2017.

e) Long Term Debt

Golf course improvements were financed by loans from the Golf Course Reserve Fund. Loans totaling $872,141 were forgiven effective January 1, 2014 resulting in an equivalent amount of one-time revenue.

A long-term loan has been provided by the City to finance the depreciable assets transferred to the Agency on start-up. The outstanding loan balance as at December 31, 2014 is projected at $2,873,001. Effective January 1, 2014, the loan became non-interest bearing.

8) FINANCIAL PROJECTIONS

These projections have been prepared using assumptions that reflect Golf Service's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgment.

The reader should be cautioned that the actual results achieved for the period covered will vary from the information presented and that the variations may be material.

APPENDIX A-2: 2014 GREEN FEES AND MISCELLANEOUS SERVICES

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014 *	2015 *
Kildonan/Windsor														
Adult	21.00	22.00	23.00	24.00	25.00	26.00	27.00	30.00	30.00	31.00	31.00	34.00	34.00	35.00
Senior*	14.00	15.00	15.50	16.50	17.50	18.50	19.50	22.00	22.00	23.00	23.00	25.50	25.50	26.50
Junior*	11.50	12.00	12.50	13.00	14.00	14.50	15.00	17.00	17.00	18.00	18.00	20.00	20.00	21.00
Twilite	13.00	14.00	15.00	15.00	15.00	16.00	17.00	19.00	19.00	20.00	20.00	22.00	22.00	23.00
Sunrise (Windsor)	12.00	12.00	13.00	13.00	13.00	13.00	13.50	15.00	15.00	16.00	16.00	18.50	18.50	19.50
Crescent Drive/ Harbour View														
Adult	10.50	11.00	11.00	11.50	12.00	12.50	13.00	14.00	14.00	15.00	15.00	17.00	17.00	17.00
2nd round	9.00	9.00	9.50	10.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Senior	8.50	8.50	8.50	9.00	9.00	9.50	10.00	11.00	11.00	12.00	12.00	14.00	14.00	14.00
2nd round	5.50	5.50	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Junior	8.00	8.00	8.00	8.50	8.50	9.00	9.50	10.00	10.00	11.00	11.00	13.00	13.00	13.00
2nd round	3.50	4.00	4.00	4.50	4.50	4.50	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Sunrise	8.50	8.50	8.50	9.00	9.00	9.00	9.50	11.00	11.00	12.00	12.00	14.00	14.00	14.00
Miscellaneous Services (Windsor/Kildonan/ Crescent Drive)														
Auto cart 18 hole	24.00	24.00	25.00	25.00	25.00	25.00	26.00	28.00	30.00	32.00	32.00	33.00	33.00	34.00
Auto cart 9 hole	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00	15.00	16.00	16.00	16.50	16.50	17.00
Trail fee private auto cart (18)	12.00	12.00	12.50	12.50	12.50	12.50	13.00	14.00	20.00	20.00	20.00	20.00	20.00	20.00
Rental clubs 7 piece (18)	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.25	8.25	8.25
Rental Clubs 7 piece (9)	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.25	6.25
Pull cart (18)	4.50	3.95	4.50	4.50	4.50	5.00	5.00	5.00	5.00	6.00	6.00	6.25	6.25	6.25
Pull cart (9)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.25

*** Includes $2.00 per round fee increase to fund course improvements implemented July 20th, 2013**

Appendix A-3: Rounds Played
2002 to 2014

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Kildonan	41,336	45,203	37,378	34,875	38,021	34,718	30,624	27,860	29,515	32,580	29,481	28,753	27.631
Windsor	37,327	42,596	33,621	26,150	32,018	30,500	30,953	24,908	24,046	17,203	25,212	22,500	20,058
Crescent Drive	31,527	33,719	26,622	19,910	28,585	23,936	20,406	20,139	21,955	17,667	16,006	13,936	13,562
Harbour View	28,118	29,987	24,419	26,454	26,749	21,221	19,487	18,735	19,551	17,741	15,010	13,298	10,083
Annual Total	138,308	151,505	122,040	107,389	125,373	110,375	101,470	91,642	95,067	85,191	85,709	78,487	71,334

Appendix A4 - Leased Properties and Managed Contracts

Leased Properties	**Expiry Date**
Tuxedo Golf Course	February 28, 2016
Canoe Club Golf Course	April 30, 2019
Wildewood Club Golf Course	December 31, 2023
St. Boniface Golf Course	December 31, 2024
Transcona Golf Course	December 31, 2024
Assiniboine Golf Course	December 31, 2025
Rossmere Golf Course	October 9, 2058

Managed Contracts	
Harbour View Golf Course and Recreation Complex(contractor operated amenities; City maintained)	March 31, 2014
John Blumberg Golf Course	November 30, 2017